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October 22, 2012

The Honorable Ben S. Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution, NW
Washington, DC 20429

The Honorable Thomas S. Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance System
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry, and Acting Chairman Gruenberg:

I am writing concerning newly proposed regulations to fulfill international banking standards known as Basel III. While I understand the need for mutually agreed to international capital standards for financial institutions, I remain concerned about the impact that these proposed regulations will have on both savings and loan holding companies (SLHCs) as well as less complex financial institutions, such as community banks & small banks.

First, as is, the proposed regulations try to take the Basel III goals intended for capital standards for large traditional banks and apply them to savings and loan holding companies that are extensively engaged in the business of insurance, as well small banks who do not pose a systemic risk. While it is important we establish uniform capital and leverage standards for international and large banks, the proposed regulations will have unintended consequences on both SLHCs who focus mainly on insurance as well as small community banks. Many SLHCs as well as community & small banks are regulated at both the federal and state levels.

The financial planning and accounting standards on the insurance side are much less focused on short term capital requirements and more on an ability to pay out claims and take a longer term approach. Lumping SLHCs in the same regulation as large and international banks fails to take into account the uniqueness of each of these clearly separate business models. Additionally, the composition of community banks in terms of assets, size, operations and capital makeup as well as the level and structure of investments they are willing to take on differs drastically from larger institutions. These new regulations will further burden already heavily regulated SLHCs and community banks who already have to adhere to a wider array of new regulations than ever before. The ultimate result will be less SLHCs and fewer community banks, a loss of both would ultimately hurt consumers in terms of banking and insurance options.

I remain concerned that ultimately what you have proposed is a regulation to adhere to an international banking standard that was designed to mitigate risk posed by some, but have drafted regulations which would impact many unintended entities. The result of such a vast and sweeping regulation would be harmful to community & small bank consumers as well as insurance policy holders and retirees. Thank you for your consideration.

Respectfully,

Aaron Schock

Aaron Schock (IL-18)
Member of Congress